

service has been switched until they discover a switching fee or excessive charges on their monthly telephone bill, or until their prior long distance carrier asks why they have switched.<sup>4/</sup>

**C. Law Enforcement and Regulatory Agencies Have Taken Action to Stop and Prevent Further Violations of State Fraud and Consumer Protection Laws and to Fix the Amounts Owed for Sonic's Violations of Law**

In just a few months, Sonic submitted more than 300,000 orders to switch consumers' long distance service to Sonic (PIC change orders):

California, July 1994-January 1995:	96,000+
Illinois, November 1994-January 1995:	85,000+
New York, late fall 1994 through March 1995:	80,000+
Texas, November 1994 through March 1995:	<u>45,000+</u>
Total:	306,000

Reiter Dec. Vol. 4, pp. 162, 176, 182; Seals Aff. p. 2, ¶ 7; Acosta Aff. pp. 1-2, 18-19; Donaldson Dec. Ex. 2, ¶¶ 9. When consumers realize they had been slammed and contact the local telephone carriers, the local telephone carriers ask Sonic to provide verification that the consumers had actually chosen Sonic. In most such PIC disputes, Sonic has not provided any documentation that the consumers actually chose Sonic. See, e.g., Acosta Dec. p. 20, Ex. B, Resp. 5; Reiter Dec. Vol. 4, p. 182 (7461 PIC change disputes, Sonic provided substantiation in the form of an endorsed check (with the light grey, tiny type statement) in only 830 instances); Seals Aff. p. 2, ¶ 7 (2400 PIC disputes, no verifications submitted). In a few cases, Sonic submitted copies of endorsed checks, with the

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4. See, e.g., Donaldson Dec. Ex. 2, pp. 32-36, ¶¶ 18-21, pp. 127-134, Exs. G-H, pp. 153-157, K, pp. 167-181, M-O, pp. 204-221, S-X, pp. 226-235, Z, pp. 236-241, AA and pp. 242-249, BB; Reiter Dec. Vol. 1, pp. 3, ¶¶ 1, 4; pp. 40, ¶¶ 1-3; p. 69, ¶ 1; p. 76, ¶¶ 1-2; Reiter Dec. Vol. 2, p. 25, ¶ 1; p. 75, ¶ 2; p. 105.

practically illegible, small, light grey type purported authorization below the space for endorsement on the back of the check. Reiter Dec. Vol 2, p. 33.

From its billing of those consumers whose long distance service was switched without their consent, Sonic has already collected more than \$ 12.9 million:

California:	\$6.8 million
Illinois:	0
New York:	\$1.1 million
Texas:	Est. <u>\$5.0 million</u>
Total:	\$12.9 million

Reiter Dec. Vol. 4, pp. 162, 179; Donaldson Dec. Ex. 2, pp. 20, ¶ 9, pp. 52-55, Ex. B; Acosta Dec.

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**A. Buffa and his Family are Stripping Sonic's Assets**

At a meeting on September 21, 1994, the Attorney General demanded that Sonic stop soliciting Californians, pending resolution of its investigation. Reiter Dec. Vol. 3, p. 3, ¶ 5. A few weeks later, Sonic bought 36 acres plus 8 lots from Judy Buffa for approximately \$1.3 million dollars more than she paid when she bought the same property the previous year. Reiter Dec. Vol. 4, pp. 70, Ex. 6, p. 74, ¶¶ 4-6, pp. 84-94, Exs. 2-4.

In February 1995 alone, Sonic paid out approximately half a million dollars to John Buffa, corporations attributable to John Buffa or other Buffas, or to other insiders. On February 23, 1995, the day after the New York State Public Service Commission voted to suspend Sonic's authorization to provide telephone service in New

York, Sonic wrote twelve \$10,000 checks to various companies. Donaldson Dec. Ex. 2, ¶ 5. In addition, on February 27, 1995, Sonic wrote a \$150,000 check to Brookside Community Builders, Inc. *Id.* On February 9, 1995, Sonic wrote a \$200,000 check to Buffa.

As set forth in facinating detail in the Declaration of Daniel Nichols, most of these checks can be tied to one of the Buffas, or another Sonic insider (John or Martha Vitale or Hugo Galuzzi), the checks are made out to various corporations that were incorporated after September 1994, the addresses for the corporations identified are residential addresses and the memo portion of the check description for the purpose of the check is either blank or contains a vague description of the services offered, such as "consulting". Indeed, John Buffa himself endorsed checks for at least \$360,000 of the \$500,000 Sonic paid by these checks in February 1995.

John Buffa has apparently amassed additional valuable assets including the real property worth more than \$1.5 million, currently being held under the Georgia State Court Order. Miller Aff. p. 69, Ex. B. A local Georgia TV station also reported that Buffa recently purchased a home valued at approximately \$1 million.

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